



State of South Carolina

Office of the Governor

MARK SANFORD
GOVERNOR

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May 24, 2006

The Honorable André Bauer
President of the Senate
State House, 1st Floor, East Wing
Columbia, South Carolina 29202

Dear Mr. President and Members of the Senate:

I am hereby vetoing and returning without my approval S. 1175, R-304.

S. 1175 would make several changes to the economic soil conditions of South Carolina that would help our state's economy grow at no cost to the taxpayer. This underlying legislation makes policy changes that are good for South Carolina and would have my support had it not contained one particular section that creates an unfair business environment in our state. I clearly lay out my reasons for being against this part of the bill in my veto message of H. 4951 – a standalone bill creating this problem. But to be clear, I want to lay out the same message in this letter as well.

Language in S. 1175 would allow a county that is at least one thousand square miles in size and has had an unemployment rate greater than the state average and an average per capita income lower than the state average for the past ten years to receive a job tax credit two tiers higher than that level currently imposed. This language carves out Orangeburg County as the only county that would fit into this category. In other words, instead of receiving the \$3,500 credit per job that an "under developed county" qualifies for under current law, this bill would grant Orangeburg County the tax credit of \$8,000 per job that a "distressed county" would receive without meeting the necessary criteria. This would create a special exemption currently not available to other counties. Calhoun and Colleton are just two examples of counties that would be hurt if this legislation were to pass and would have a clear disadvantage in attracting new businesses by not having the same recruiting tools as an Orangeburg County.

To be clear, improving the economic soil conditions of our state so that we may better compete in the ever-changing global marketplace is always a priority of this administration. Whether it is last year's small business income tax cut or passing significant tort reform, I believe these

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changes and others move us one step closer in being truly competitive in creating jobs, attracting capital investment, growing and expanding small businesses, raising income levels and – most importantly – bettering the standard of living for all of our citizens. However, language in S. 1175 does not fit into this category.

This legislation clearly breaks from the traditional model we have used for economic development - which is implementing policy changes that will benefit all South Carolina citizens while allowing the entire state, not just one county's, economy to grow.

In 2003, I laid out guidelines in my transmittal letter of S. 516 that creating legislation to carve out special tax credits for one company is bad policy. This legislation allowed Georgetown Steel to count each employee of a bankrupt company that it was purchasing as qualifying criteria for job tax credits – making Georgetown Steel the only company to meet this condition. I clearly noted in this message the creation of special exemptions for one company is not good for our state and we should instead look at economic incentives that promote statewide economic success. Along the same lines, S. 1175 gives Orangeburg County a special exemption to qualify for a higher credit than a county of equal economic status – meaning it is being treated differently than the other “under developed counties”. As a result, we will be setting a chilling precedent that we at the state level favor one particular county over another when it comes to economic growth.

This administration will continue to support legislation that will effectively, fairly, and uniformly promote economic prosperity for the entire business community of our state. We look forward to working with you and other members of the General Assembly on this front. However, I do not believe we should start down the path of piecemeal legislation that currently benefits only one county.

For these reasons, I am returning S. 1175 to you without my signature.

Sincerely,

A handwritten signature in blue ink, appearing to be 'Mark Sanford', with a stylized, flowing script.

Mark Sanford